

Unit – 4 & Unit - 5

DEDUCITON FROM GROSS TOTAL INCOME:- (GTI) & Computation of Total Income and Tax Liability:

U/S – 80 C, 80 CCC, 80 CCD, 80 D, 80 DD, 80 E, 80 G, 80 GGA, 80-QQB, 80 U.

Gross total income is subject to various deductions under chapter VI A of the Income Tax Act, 1961. However the aggregate amount of deduction should not in any case exceed the gross total income of the assessee. Sections 80 C to 80 U specifies the deductions to be made from Gross total income.

1. Section 80 C:- *

This deduction is allowed to individuals and HUF only, out of Gross Total Income excluding Casual Incomes, Long term capital gain and Short term capital gain on sale of Shares covered under Security transaction tax.

The amount of deduction shall be actual amount paid or deposited during the previous year in prescribed saving schemes (to be called as Qualifying amount for deduction under section- 80C) or Rs.1,50,000 whichever is less. This limit of Rs.1,50,000 also includes the amount of deduction allowable to the assessee u/s 80CCC and 80CCD.

Qualifying amount for deduction u/s- 80C :-

The following Savings / Investments qualifies for deduction u/s 80C -

1. Own contribution to SPF, RPF and Approved Superannuation Fund fully qualifies, whereas contribution to PPF qualifies up to Rs.1,50,000 only.
2. Life Insurance Premium paid on employee's life or his spouse or children shall qualify up to actual premium paid or 20% of sum assured whichever is less if policy is issued before 1st April 2012, 10% of sum assured if policy is issued during 2012-13 and 15% sum assured for policies issued on or after 1st April 2013 on the life of a person who is with disability or with severe disability as referred in section 80U or suffering from a disease or ailment as specified in the under section 80DDB.
3. Any sum deducted from the salary of employee by the Govt. for the purpose of securing to him a deferred annuity or making provision for his spouse or children not exceeding 1/5th of salary i.e., 20% of salary.
4. Any amount invested by a person with UTI or LIC under Unit Linked Insurance Plan (ULIP).
5. Any amount invested in NSC VIII issue or IX issue and deposit in Sukanya Samriddhi Account with interest.
6. Any amount deposited under National Saving Scheme (NSS) 1992.
7. Any amount paid to LIC under New Jeevan Dhara, New Jeevan Dhara-I or New Jeevan Akshay, New Jeevan Akshay- I and New Jeevan Akshay –II and III plans.

8. Any amount deposited in notified Pension Fund set up by Mutual Funds or UTI fully qualifies.
9. Any amount deposited with National Housing Bank under home deposit scheme of NHB- fully qualifies.
10. Any amount deposited with an authority engaged in Housing development or Town or Rural development.
11. Any amount repaid under house building loan taken from Govt. LIC, Bank, HDFC, HUDCO or other housing finance institutions or employer (not from friends or relatives).
12. Any amount paid as tuition fees to any school, college or university or other educational institutions situated in India, for the purpose of full time education of any two children only of the individual (excluding any payment towards development fees or donation or payment of similar nature) at the time of admission.
13. Five year time deposit in an Account under Post Office Time Deposit rules 1981.
14. Deposit in an account under the Senior Citizens Savings Scheme Rules 2004.
15. Fixed or Term deposits with Scheduled Banks for a duration of at least 5 years as per the scheme framed by the Central Govt.
16. Any subscription in deposit scheme as Central Govt. may notify in Official Gazette.
17. Subscription to Bonds of NABARD will qualify for deduction.
18. Any amount paid as subscription to equity shares or debentures of a public company or a public financial institution forming part of any eligible issue of capital and the amount paid as subscription to any units of any mutual fund, utilized for Infrastructure facility notified by CBDT.

The above investments **(Point No. 18)** cannot be converted into money for three years. If they are converted into money before the expiry of three years, the amount of deduction claimed shall become as tax payable of the year in which these are sold or otherwise transferred.

2. **Section- 80 CCC:- * Deduction in respect of contribution to certain pension funds of LIC or other insurer** under Pension fund set up u/s 10 (23AAB) – is allowed as deduction up to Rs.1,50,000/- or actual amount paid which ever is less, only in case of individuals.
3. **Section 80 CCD:- * Deduction is allowed to employees of Central Government** joined to service on or after 01-01-2004 **or employed by other employer**, on the contribution towards **National Pension System (NPS)** –
 - i) For amount contributed by employer not exceeding to 10% of salary of employee to an individual assessee. **Note:-** Here salary includes Basic salary, D.P and D.A if it enters into service benefit and percentage of commission on turnover achieved by the employee and shall not include any other allowances.

ii) For the amount contributed by employee deduction is allowed to the extent of 10% of salary of the employee. If contribution is made by a person other than employee, deduction is limited to 20% of gross total income (from the AY 2018-19) or Rs.1,50,000 whichever is lower.

iii) An Additional deduction of Rs.50,000 for contribution to NPS from the A. Year 2016-17 is allowed to an individual assessee in addition to the maximum of ceiling of Rs.1,50,000.

Note: Combined maximum ceiling: The aggregate amount of deductions under section 80 C, 80 CCC and 80 CCD shall not in any case exceed Rs.1,50,000. However employer's contribution towards NPS (to the extent of 10% of employee's salary) shall not be considered for the ceiling of Rs.1,50,000.

4. **Section- 80D:- * Deduction in respect of Medical insurance premium paid or Contribution made to Central Govt. Health Scheme or any scheme notified by the Central Government:** - in any mode other than cash for the benefit of the assessee, spouse and dependent children (**Family**), and for the benefit of the parents of the assessee whether dependent or not (**Parents**), and for the benefit of any member of family (**HUF**): -

The following table shows the eligible amount of deduction:-

		Deduction in the case of individual		Deduction in the case of HUF
A	For whose benefit payment can be made	Family	Parents	Members of HUF
	a. Medi-claim insurance premium	Eligible	Eligible	Eligible
	b. Contribution to CGHS/notified scheme	Eligible	-	-
	c. Preventive health check-up payment	Eligible	Eligible	-
	Maximum deduction –			
- General deduction applicable in respect of (a), (b) and (c)	25,000	25,000	Rs.25,000	
- Additional deduction applicable only in case of (a) when medi-claim policy is taken on the life of a senior citizen	25,000	25,000	Rs. 25,000	
B	Medical expenditure on the health of a person who is a super senior citizen if medi-claim insurance is not paid on the health of such person	Eligible	Eligible	Eligible
	Maximum deduction in respect of (B)	50,000	50,000	Rs.50,000
C	Maximum deduction in respect of (A) and (B)	50,000	50,000	Rs.50,000

Notes:

1. Family includes Individual, spouse, and dependent children
2. Parents include father and mother (dependent or not) Father-in-law and mother-in-law are not included.
3. The aggregate payment on account A (c) cannot exceed Rs.5,000.
4. The above payments given under (A) and (B) should be made by any mode other than cash. However payment on account of preventive health check-up can be made by any mode including cash.
5. Senior citizen is a resident individual who is at least 60 years of age (for Super senior citizen 80 years) at any time during the previous year.

5. **Section- 80 DD:-** * **Deduction in respect of medical treatment of handicapped dependent with disability:-** Any expenditure incurred by way of medical treatment, training and rehabilitation of a handicapped dependent /any amount paid under a special scheme of LIC/UTI for maintenance of physically handicapped dependent – a deduction of Rs.75,000/- shall be allowed irrespective of the money spent to an individual and HUF or Rs.1,25,000/- for severe disability (having disability of 80% or above).
6. **Section-80 DDB:-** **Deduction in respect of medical treatment of notified diseases/ ailment:-** A deduction of Rs.40,000/- per annum in case of individuals or resident HUF (Rs.1,00,000/- per annum in case of senior citizen – 60 years and above age) or actual expenditure incurred whichever is less shall be allowed on production of a certificate in prescribed form. However, the amount of deduction will be decreased if any sum is received from insurance company or from employer for the medical treatment.
7. **Section- 80E:-** * **Deduction in respect of interest on loan taken for higher education:-** Any amount paid as interest on loan taken for higher studies from financial or approved charitable institutions for self, spouse, children or any student for whom the assessee is legal guardian will be allowed as deduction from the year he starts paying interest and 7 immediately succeeding years or until the above interest is paid in full, whichever is earlier.
8. **Section – 80EE:-** **Deduction in respect of Interest on loan taken for Residential House Property:-** Any amount of interest paid on loan taken by an individual for acquisition or construction of house property in India during 2016-17 not exceeding Rs.50,000 is allowed from the assessment year 2017-18 and subsequent assessment years on the condition that loan sanctioned by the bank or housing finance company does not exceed Rs.35 lakhs and the value of house property does not exceed Rs.50 lakhs.
9. **Section- 80 G:-** * **Deductions in respect of donations to certain funds, charitable institutions etc:-**
 - A) No limit donations:-**

The following donations qualify for deduction at 100%

 - I. To Prime Minister's National Relief Fund.
 - II. To Armenia Earthquake Relief Fund.
 - III. To Africa Fund.
 - IV. To University / Institution of National eminence so notified.
 - V. To National Foundation for Communal Harmony.
 - VI. To the Chief Minister's Earthquake Relief Fund, Maharashtra.
 - VII. To Zila Saksharta Samiti.
 - VIII. To National Blood Transfusion / State Blood Transfusion Council.
 - IX. To any fund set up by the State Govt., to provide Medical Relief to poor.

- X. To Army Central Welfare Fund, Indian Naval Benevolent Fund, Air Force Central Welfare Fund.
- XI. The National Illness Assistance Fund.
- XII. To Chief Minister's Relief Fund / Lieutenant Governor Relief Fund.
- XIII. To Andhra Pradesh Chief Ministers Cyclone Relief Fund.
- XIV. National Sports Fund.
- XV. National Cultural Fund.
- XVI. National Children Fund
- XVII. Technology Development and Application Fund.
- XVIII. National Defence Fund.
- XIX. Any fund set up by the State Govt., of Gujarat exclusively for providing the relief to victims of earthquake in Gujarat.
- XX. To National Trust for welfare of persons with autism cerebral palsy, mental retardation and multiple disabilities.
- XXI. Swachh Bharat Kosh
- XXII. Clean Ganga Fund.
- XXIII. National Fund for Control of Drug Abuse.

In all the above donations qualifying amount is 100% and the rate of deduction is 100%.

Donations to the following – the qualifying amount is 100% and the rate of deduction is 50%.

- I. To P.M National Drought Relief Fund.
- II. To Jawaharlal Nehru Memorial fund.
- III. To Indira Gandhi Memorial Trust.
- IV. To Rajiv Gandhi Foundation.

B) With limit donations:-

- I. To State Government.
- II. To Local Authority.
- III. To Educational Institutions.
- IV. To Charitable Institutions.
- V. To Sports Institutions.
- VI. To a Corporation set up to protect the interest of Minorities.
- VII. To place of art, public worship/ historical importance, so notified.
- VIII. To an Institution/ Association engaged in promotion of Family Planning in India.
- IX. Any sum paid by a Company to an Indian Olympic Association for development of Infrastructure, Sponsorship of Sports and Games in India.
- X. To an Authority constituted for developments of Housing and Planning of Cities and Towns.

In all the above donations 10% of Adjusted Gross Total Income or actual total whichever is less is Qualifying Amount.

Out of Qualifying Amount 100% of deduction for family planning and by a Company to an Indian Olympic Association and balance Qualifying Amount at 50% is allowed as deduction.

Adjusted Gross Total Income:

It means gross total income minus long term capital gain, short term capital gains under Section 111A, income under section 115A and all other deductions under Sections 80 C to 80 U (except deduction u/s 80 G).

NOTE: Donations can be given in cash or by cheque or draft. However, no deduction shall be allowed under this section in respect of donation in cash of an amount exceeding Rs.2,000.

- 10. Section- 80 GG:- Deduction in respect of rent paid:-** When the individual assessee is residing in a rented house and is not in receipt of HRA and when he has no other residential house of his own, can claim deduction under this section to the extent of the least of the following:-
- a) Statutory limit of Rs.5,000/- per month (Rs.60,000/- per annum).
 - b) 25% of adjusted gross total income.
 - c) Rent paid minus 10% of adjusted gross total income.

Note:- Adjusted Gross Total Income means Gross total income minus long-term capital gain, short term capital gains under Section 111A, income under section 115A and all other deductions under Sections- 80 C to 80 U (except deduction u/s 80 GG).

- 11. Section- 80 GGA:- * Donation given for approved rural development programme or scientific research** is allowed @ 100% to all the assesses (except those who have any income or loss under the head profits and gains of business or profession). No deduction under this section if donation exceeds Rs.10,000 in the form of cash.
- 12. Section-80 GGB and GGC:- Deduction in respect of donations given by any person to a political party** (other than local authority and artificial juridical person) is allowed at the rate of 100%. No deduction shall be allowed if amount is contributed by way of cash from assessment year 2014-15.
- 13. Section -80 QQB:- * Actual Royalty income or Rs.3,00,000 whichever is less** is allowed to Authors of books of scientific nature on writing of certain books.
- 14. Section 80 RRB:- Actual Royalty income or Rs.3,00,000 whichever is less** from developing patents is allowed to Resident individuals every year.
- 15. Section 80 TTA:- Deduction in respect of any income by way of interest on deposits** (not being time deposits) in a savings account with a bank, co-operative bank is allowed to an individual assessee or HUF up to Rs.10,000 in aggregate. If interest is from post office saving bank account, the exemption is up to Rs.3,500 in a single account and Rs.7,000 in a joint account.

16. **Section 80 TTB:- Deduction in respect interest on deposits in case of Senior Citizens:** Interest on deposits in a savings account or fixed deposits or any other interest with a bank, co-operative bank or post office is allowed up to Rs.50,000 or the actual interest whichever is less.
17. **Section- 80 U:- * Deduction in respect of assessee's disability:-** An individual resident of India who are suffering from permanent physical disability (40% or more) including blindness/subject to mental retardation on the production of medical certificate from government hospital shall be allowed a deduction of Rs.75,000/-per annum or Rs.1,25,000/-per annum with severe disability (having disability of 80% or above).

Problems on Deductions under Section - 80C:-

Problem-1. Compute the amount of deduction admissible u/s – 80C of the act in the following cases-

CASE-A:

Gross Total Income (including Long Term Capital Gain Rs.60,000) Rs.1,32,400.
Amount invested in NSC VIII issue Rs.15,000.
Amount invested in notified units of equity linked savings scheme Rs.20,000. Amount invested in notified Shares Rs.45,000.

CASE-B:

Gross Total Income Rs.1,82,400.
Amount invested in NSC VIII issue Rs.18,000.
Amount invested in notified units of equity linked savings scheme Rs.22,000. Amount invested in PPF Rs.1,20,000.

CASE-C:

Gross Total Income (including lottery prize of Rs.50,000) Rs.1,35,400.
Amount invested in NSC VIII issue Rs.11,000.
Amount invested in RPF Rs.42,000.
Amount invested in PPF Rs.35,000.

Problems on Deductions from Gross Total Income:

Problem – 1. From the following particulars, Compute Taxable Total Income.

Dr Profit and Loss Account for the year ended 31-03-2019 Cr

Particulars	Amount Rs.	Particulars	Amount Rs.
To, Salary to staff	2,65,000	By, Gross profit	6,50,800
To, Bad debts	30,000	By, Rent from house	
To, Bonus	24,000	Property	24,000
To, Reserve for Bad debts	12,000	By, Interest on securities	30,000
To Provision for Income tax	10,000	By, Interest on deposits	6,000
To, Copy rights	8,400	By, Sundry receipts	8,000
To, Cost of extension of Building	16,000		
To, Legal expenses	24,000		
To Medical insurance premium	10,000		
To, Interest on Education loan	6,600		
To, Purchase of Technical Know-how	24,000		
To, Income tax appeal expenses	28,000		
To, Office expenses	53,300		
To, Net profit	2,07,500		
	7,18,800		7,18,800

- Office expenses include Rs.10,000 donation to PM National Relief Fund and Rs.4,000 to Indhira Gandhi Memorial Trust.
- Legal expenses includes Rs.10,000 payment for Sales Tax on 24/10/2019. Date of filing returns 31-10-2019.
- Salary to staff includes a payment of Rs.60,000 paid to nearest relative which is considered to be unreasonable up to Rs.20,000.
- Allowable bad debts during the year Rs.20,000.

Problem – 2. Mr. Kumar of Mumbai gives you the following Trading, Profit and Loss a/c. Compute his Total Income.

Dr Trading, Profit and Loss Account for the year ended 31-03-2019 Cr

Particulars	Amount Rs.	Particulars	Amount Rs.
To, Opening stock	60,000	By, Sales	5,20,000
To, Purchases	3,90,000	By, Closing stock	80,000
To, Freight	15,000		
To, Gross profit c/d	1,35,000		
	6,00,000		6,00,000
To, Salary and wages	14,800	By, Gross profit b/c	1,35,000
To, Rent and taxes	3,800	By, Dividend on shares	2,000
To, House hold expenses	2,400	By, Rent of building	4,800
To, Income tax	600	By, Interest on securities	10,000
To, Postage and telegram	400	By, Interest on bank deposits	3,000
To Donation	500		
To, Patents	1,500		
To, Income tax appeal expenses	200		
To, Reserve for sales tax	680		
To, Bad debts	420		
To, Miscellaneous expenses	600		
To, Depreciation	500		
To, Net profit	1,28,400		
	1,54,800		1,54,800

Other Information:

- I. He has part time job from which he is getting salary of Rs,1,500 per month.
- II. Purchases include Rs.5,000 advance to supplier against goods to be delivered in April 2019 and also Rs.30,000 paid in the form of cash.
- III. Rent and taxes include Rs.1,800 being Municipal tax for the building let out.
- IV. Miscellaneous expenses include Rs.400 being purchase of books for employment.
- V. Permissible depreciation Rs.400.
- VI. He has spent Rs.10,000 towards Medical expenses of handicapped dependent and Rs.12,000 towards Interest on education loan.

Problem – 3. Mr. Allu is a resident individual. His GTI during the previous year 2018-19 is computed at Rs.15 lakhs which included Rs.2,00,000 of long term capital gains. During the year he made following contributions and payments:

- a) Paid life insurance premium of Rs.32,000 on his life policy of Rs.1,50,000.
- b) Contributed Rs.5,000 p.m. into 15 year PPF Account.
- c) Repaid his loan taken for higher education Rs.72,000 which included Rs.52,000 towards principal and Rs.20,000 interest.
- d) Donated Rs.50,000 to National Defence Fund, Rs.50,000 towards promotion of Family Planning to a notified organization and Rs.1,00,000 to a notified charitable institution.

Compute his total income for the Assessment Year 2019-20.

Problem – 4. Mr. Arjun a senior citizen furnishes the following information for previous year 2018-19.

Pension received Rs.6,000 p.m. Taxable income from business Rs.1,28,000. Short term capital gain of Rs.1,10,000.

He contributed Rs.15,000 towards life insurance policy and Rs.2,000 towards NSC. He also paid a mediclaim insurance premium of Rs.14,000 during the previous year 2018-19 through cheque.

What is his taxable income for the Assessment Year 2019-20?

Problem – 5. Mr. Tippu, an individual make payment of Health Insurance Premium to General Insurance Corporation in an approved scheme. Premium paid on his health Rs.1,00,000 and his spouse Rs.15,000 during the year 2018-19.

He also paid health insurance premium of Rs.25,000 on his father's health who is a senior citizen and not dependent on him. The payments have not been made in cash.

Compute the amount of deduction under Chapter VI A, available to him from his Gross Total Income for the Assessment Year 2019-20.

Problem – 6. Mr. Tarak having Gross Total Income of Rs.5,00,000 for the financial year 2018-19 furnishes the following information:

- a) Deposited Rs.50,000 in tax saver deposit in the name of major son in a nationalized bank.
- b) Paid Rs.50,000 towards premium on life insurance premium of his married daughter against policy amount of Rs.2,00,000.
- c) Purchased approved long term infrastructure bonds for Rs.25,000.
- d) Contributed Rs.1,00,000 to PM National Relief Fund.
- e) Donated Rs.20,000 to a Government recognized institution for scientific research. His Gross Total Income does not include any income under the head profits and gains of Business / Profession.

Compute the total income of Mr. Tarak for the Assessment Year 2019-20.

Problem – 7. From the following information of Sri. Kundan (Resident) compute total income and tax liability for the Assessment Year 2019-20.

Income from business (computed) Rs.3,25,000
Income from salary Rs.8,75,000
Rent from house property (Municipal tax Rs.1,200) Rs.1,20,000
Income from Royalty Rs.75,000
Life insurance premium paid Rs.22,000
Contribution to PPF Rs.15,000
Donation to PM Relief Fund Rs.25,000
Medical Insurance Premium paid on his health Rs.14,000
Interest on education loan on his daughter Rs.13,500

Problem – 8. Mr. K. Kumar has reported the following particulars of his income, savings and investments for the financial year 2018-19.

Net salary received Rs.8,60,000.
Net income from house property Rs.1,24,000.
Net income from other sources Rs.78,000.
Repayment of housing loan principal amount Rs.50,000.
Life insurance premium on own life Rs.36,000.
Compute his tax liability for the Assessment year 2019-20.

Problem – 9. Determine the net income of Dr. Kamanna for the Assessment Year 2019-20 from the following particulars.

Chargeable business income Rs.6,35,000.
Long term capital gains in respect of commercial buildings Rs.1,17,000.
Long term capital gains in respect of shares (non-listed) Rs.1,10,000.
Income from horse-race (gross) Rs.1,04,000
Winnings from lottery (net) Rs.1,92,500.
Expenditure on recovery of lottery prize Rs.26,000.
Interest from IDBI Rs.18,000.
Interest paid on Capital borrowed for investing in IDBI bonds Rs.18,500.
Interest on company deposit Rs.48,200.
Payment of rent for residential house Rs.1,36,000.
Insurance premium paid on life policy (sum assured Rs.90,000) Rs.24,000.
Medi-claim insurance on his father Rs.16,000.

Problem – 10. Gross Total Income of Mr. Yeddy for the previous year 2018-19 is Rs.14,50,000.

He is living in a rented house and paying rent of Rs.8,000 p.m.
Compute his Total Income.

Unit – 4. and Unit – 5. Deductions from Gross Total Income and Computation of Total Income and Tax Liability:-

Examination Questions (Theory) on deductions from Gross Total Income:-

May/June – 2007

1. Mention the provisions for deduction under S – 80 DD. (2) **June-2010**
2. Give the meaning of Gross Total Income and Total Income. (2) **May-2016**
3. Briefly discuss the provisions for deductions under S – 80 U. (5)

June – 2008

4. Give the meaning of Total Income. (2)

June – 2009

5. List out any two items deducted under S – 80 C. (2)
6. Explain/Mention the provisions of S – 80 E. (2) **May-2011, May-2015**

June – 2010

7. What is the provision U/S 80 U of IT Act, 1961? (2) **May-12, May-2016**
8. What are the provisions U/S 80 C of Income Tax Act, 1961? (5)

May/June – 2013

9. Mention the provisions of S – 80 GGC (2)
10. Mention / State the provisions of Sec – 80 D (2) **May-2017**

May/June – 2014

11. List any 4 items deductible under 80 C (2)

May/June – 2018

12. Explain the provision U/S 80 U. (2)
13. Name any two no limit 50% deductible donations U/S 80 G. (2)
14. List out any 6 items included U/S 80 C. (6)

May/June – 2019

15. State the provision u/s 80GGA (2)
16. Mention any two no limit 100% deductible donations u/s 80G (2)
17. Mention any five items qualified for deduction u/s 80C of IT Act. Also mention the maximum amount of deduction allowable under this section. (6)